

# **EXHIBIT 20**

## NEWS & ANALYSIS

# Longs deal done, CVS is king of California

By ANTONETTE ALEXANDER

WOONSOCKET, R.I. — It's official. CVS Caremark finally closed last month its acquisition of Longs Drug Stores and, in true CVS fashion, the company plans to hit the ground running as it folds into its portfolio Longs' 521 retail locations in California, Hawaii, Nevada and Arizona, as well as its PBM services.

The acquisition, at \$71.50 per share in cash, closed Oct. 30.

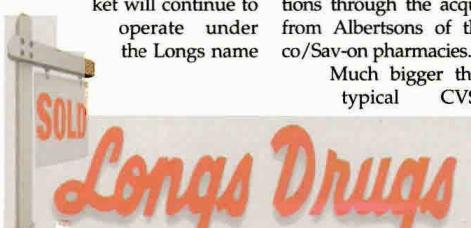
The deal catapults CVS into a major player on the West Coast and transforms the self-proclaimed pharmacy healthcare service company into one that will fill or manage more than 1.2 billion prescriptions per year and will operate approximately 6,800 drug stores in 41 states and the District of Columbia.

CVS now has a foothold in highly attractive regions with

real estate markets that are difficult to enter, not to mention the addition of Longs' Rx America PBM business.

"This was an opportunity to acquire hundreds of quality locations in real estate markets that are difficult to penetrate, and it would have taken us at least 10 years to replicate this. We saw the opportunity and we took advantage of it," Tom Ryan, chairman, president and chief executive officer, told analysts during an Oct. 30 conference call to discuss third-quarter results. "The acquisition makes us the No. 1 drug store chain in California and Hawaii, and it strengthens our position in Arizona and Nevada. Longs' distribution centers in California and Hawaii also will be valuable additions to our distribution network. Second, we expect to improve the profitability of Longs' stores just as we have with Eckerd and Sav-on."

More than 490 of the stores CVS acquired are located in the Central and Northern California and Hawaiian markets, where Longs has been a leading player. The stores in the Hawaiian market will continue to operate under the Longs name



as Hawaiians view Longs as a homegrown chain.

While CVS' entrance into Hawaii is significant, its expansion in California also is important. The company first re-entered California with a specialty pharmacy in 1999. CVS, which had operated stores in California in the past, shut those stores in 1991 to

focus on its core markets in the Northeast. It then established a retail pharmacy presence in the state with 19 retail pharmacies in 2004. In 2006, it significantly expanded its footprint in California to 366 locations through the acquisition from Albertsons of the Osco/Say-on pharmacies.

Much bigger than the typical CVS store,

about 470 of the acquired stores average roughly 22,000 to 23,000 square feet in size. The remaining acquired stores are smaller in size, ranging between 4,000 and 7,000 square feet, and mainly located in or near medical centers, represent an opportunity for specialty pharmacy locations.

As far as the integration

plans, Ryan said it is important not to disrupt the stores during the holiday season so integration really will begin in first quarter 2009. Store system conversions will begin March 1 and will be completed by about the end of May. The corporate office in Walnut Creek, Calif., will close by the end of the summer, with 80 percent of it being shut down by around June. Resets and remodels will start mid-March and will wrap up by mid-October. The name-change events should be completed by the end of the third quarter. So, by fourth quarter 2009 Longs will be fully integrated.

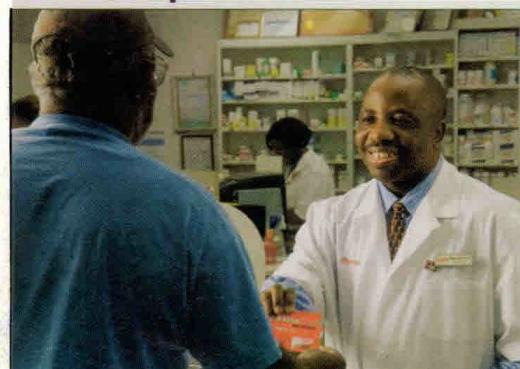
Aside from benefiting from Longs' attractive real estate locations, CVS also will benefit from Rx America, which offers prescription benefits management services to more than 8 million members and prescription drug plan benefits to

CONTINUED ON PAGE 86

## Ryan: Discount generics a response to economy, not competition

WOONSOCKET, R.I. — Looking to help uninsured patients struggling in today's economic downturn, CVS Caremark has entered the discount generic drug program arena.

"We haven't seen a material share loss to our competitor's \$4 generic program and that is still the case today, so the obvious question is, 'Why now?'" Tom Ryan, CVS Caremark chairman, president and chief executive officer, told analysts during an Oct. 30 conference call to discuss third-quarter results and announce the program. "We are in the middle of an understated, difficult economic crisis to say the least. People are struggling with healthcare costs more than ever before, especially the under- and uninsured, and we felt it was the right time to offer a differ-



CVS now is offering 90-day prescriptions of more than 400 generics for \$9.99 for Health Savings Pass members. The program has a \$10 annual enrollment fee.

entiated, affordable option."

The program, which kicked off Nov. 9, enables consumers who obtain a CVS/pharmacy Health Savings Pass to fill a 90-day prescription for one of more than 400 common generic

maintenance medications for \$9.99 at a CVS pharmacy. The program has a \$10 annual enrollment fee. Under the program, customers can earn CVS Extra Bucks with their Health Savings Pass.

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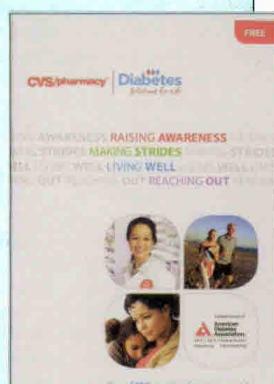
## New diabetes program leverages pharmacists

By ALARIC DEARMINT

CVS Caremark is marking American Diabetes Month by launching a program to educate patients about managing and preventing diabetes.

Collaborating with the American Diabetes Association, CVS has created a free booklet titled "Diabetes: Solutions for Life," available at all of its 6,300 stores across the country. The booklet includes information about symptoms, risk factors, successful disease management and disease prevention. It also has coupons providing more than \$100 in savings on diabetes products.

"It is important for patients to know that their CVS pharmacist is a re-



CVS is offering the "Diabetes: Solutions for Life" booklet for free. "source in the development of their diabetes treatment plan," CVS/pharmacy vice president for pharmacy professional services Papatya Tankut said. "Our pharma-

CONTINUED ON PAGE 86

## NEWS & ANALYSIS

# Longs deal

CONTINUED FROM PAGE 4

450,000 Medicare beneficiaries. In an earlier conference call with analysts, Ryan stated that Rx America generates about \$380 million in annual revenues, including the PDP lives.

"We will integrate Rx America's PBM and PDP business into our own over time. We expect this business to be a nice complement to our PBM," Ryan told analysts. "Also, by acceler-

ating growth in these key geographies we help our PBM clients and facilitate the rollout of our new proactive pharmacy care offerings. ... I remain confident that the deal will be 4 to 5 cents accretive to adjusted EPS in 2010 and accretive to adjusted EPS in the low double-digits in 2011."

As previously reported by *Drug Store News*, CVS' new proactive pharmacy care offerings include Maintenance Choice, which allows consumers to purchase chronic 90-day prescriptions at CVS stores for

the same price as at mail. To date, this offering has attracted 137 clients for a January 2009 start, representing about 2 million people. There's also the ExtraCare Health Card, which provides discounts on CVS private-label FSA-eligible OTC products to Caremark members who elect to participate. There are currently 4 million cards out this year, and CVS expects to add another 6 million cards next year.

In other news, the company also reported third-quarter results.

"Despite the difficult macro economic environment we posted solid third quarter results right in line with our plan," Ryan told analysts during an Oct. 30th conference call. Net revenues for the third quarter ended Sept. 27 increased \$368.2 million to \$20.9 billion, up from \$20.5 billion a year ago. Retail sales increased 5.3 percent to \$11.5 billion, on same-store sales of 3.7 percent. Comp sales increased 3.8 percent in pharmacy, 3.3 percent in the front-end.

## Diabetes

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cists are always available to speak with their diabetes patients about over-the-counter medicines and other prescriptions they are taking, and to offer counseling on medication compliance, side effects and potential drug interactions."

Almost 24 million people in the United States, or nearly 8 percent of the population, has diabetes, while 5.7 million may have it and not know it. About 57 million people have pre-diabetes, higher-than-normal blood glucose levels that may lead to diabetes. More than 1 million new cases of the disease were

diagnosed last year in people age 20 and older.

CVS/pharmacy's education program follows a survey by the American Diabetes Association in August that asked respondents what they feared the most. Sixteen percent of respondents feared being in a plane crash, 13 percent feared snake bites, 5 percent feared lightning strikes, 4 percent feared shark attacks and 5 percent feared illness. Of that 5 percent, 49 percent said they were afraid of getting cancer, but only 3 percent were afraid of developing diabetes. Nevertheless, 10 percent of adults have been diagnosed with diabetes, compared with 6 percent of adults with cancer diagnoses.

## Generics

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In addition, the Savings Pass provides access to services and screenings at CVS' MinuteClinic locations at a 10 percent discount for cash-paying patients.

At the end of the third quarter ended Sept. 27, the company operated 541 MinuteClinic locations in 27 states. By year-end, CVS expects to operate about 560

clinics. In other MinuteClinic news, Ryan noted during the call with analysts that it will leverage its retail advertising spend in an effort to further drive awareness and utilization of the clinics. In addition, a pilot program is under way to provide training for specialty customers on certain injectable medications, with a possible rollout in the second half of 2009.

CVS expected to experi-

ence some share gain and a boost in foot traffic as a result of the Health Savings Pass, not to mention the enrollment fee, so the program shouldn't cost CVS more than a penny or so per share on an annual basis, according to Ryan.

To obtain a Health Savings Pass, consumers can call (888)-616-2273 or visit [www.cvs.com/healthsavingspass](http://www.cvs.com/healthsavingspass). The site also lists the medications covered by the program.

## Costco

CONTINUED FROM PAGE 8

Michigan, Nevada, New Mexico, New York, Ohio, Oregon, Utah, Virginia and Washington.

In other news, Snyders Drug Stores added itself to

the list of chains offering generic drug discount programs in October. The Snyders Prescription Drug Savings Club, offered in its stores in the Minneapolis area, will charge customers a \$10 enrollment fee allowing them to fill scripts for

350 generic drugs for 99 cents a week, or fill 90-day supplies for \$12.72. The program also entitles members to discounts on certain branded drugs. Upon enrollment, customers will receive \$20 gift certificates and \$20 in coupons.

## Wal-Mart

CONTINUED FROM PAGE 8

has not proven yet to work," Castro-Wright said. "Now the one that we have just recently started, which is slightly different because it leverages the brand equity of the local hospital, as well as the expertise of the local hospital to provide the nurse practitioners for the clinic, that is one that we feel that has a lot more potential. Because we both have the trust of the customer in terms of the brand of the hospital, and at the same time you have the professional management of the nurse practitioners, which some private equity firms that have entered this space might not have."

Aside from the lack of specifics in the area of health and wellness, Wal-

Mart did provide details around a widely anticipated store remodeling program and a new format called, "Project Impact." The company has been working on this new store design for several years, and a key change involves repositioning the pharmacy to the food side of a typical supercenter from its current location near the entrance to the general merchandise side of the store. Other changes include a colorful paint scheme, clean aisles, new interior and exterior signaging, new fixtures and new adjacencies. The space dedicated to every department has been reduced somewhat to open up the store with the goal of creating a more inviting and consistent customer experience to drive sales in such key categories as food, apparel, home, electronics, health and pets.

Wal-Mart expects to end its current fiscal year with about 12 percent of its U.S. store base operating under the Project Impact format. However, as the company pares back new store construction and reallocates capital to remodeling efforts, between 500 and 600 stores will be remodeled next year to the new design. When those units are combined with newly constructed Project Impact stores, 32 percent of the retailer's domestic store base will be converted by the end of the next fiscal year in late January 2010. By 2014 the conversion program will be complete, according to a timetable presented to analysts.

The massive remodeling program comes as Wal-Mart dials back the rate of expansion for its U.S. supercenters

and reduces the average new store size. For example, next year's plans call for between 125 and 140 new supercenters with most of those units in the range of 140,000 square feet with 170,000 square feet. Compare those plans to just a few years ago when supercenter expansion peaked in 2006 with 276 new units, most of which were closer to 200,000 square feet.

Despite the slowdown in new store growth, chief financial officer Tom Schoewe told analysts Wal-Mart was making progress on its objective to drive higher rates of return for shareholders.

"How many companies could stand before you today and say that their balance sheet is stronger today than it was a year ago," Schoewe asked during his presentation.